

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 DOTE-00 NSC-07 SS-20

STR-08 CEA-02 L-03 DRC-01 /128 W

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FM AMCONSUL KARACHI

TO AMEMBASSY ISLAMABAD PRIORITY

INFO SECSTATE WASHDC 7939

AMCONSUL LAHORE

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E.O. 11652: N/A

TAGS: EIND, PK

SUBJECT: GENERAL TYRE EXPANSION SCHEME TO RECEIVE GOP REVIEW

REF: KARACHI 0803, MAY 19, 1973 (NOTAL)

1. GENERAL TYRE MANAGING DIRECTOR, ARTHUR O'CONNOR, CONTACTED CONGEN MAR 19 TO SAY HE HAD JUST LEARNED LONG-DELAYED GENERAL TYRE EXPANSION PLAN WOULD FINALLY RECEIVE HIGH LEVEL GOP CONSIDERATION AND REVIEW OF CENTRAL INVESTMENT PROMOTION AND COORDINATION COMMITTEE (CIPCOC) DURING CIPCOC'S REGULAR MONTHLY MEETING TO BE HELD THIS TIME AT LAHORE ON MARCH 25.

2. IN PREPARATION FOR CIPCOC MEETING O'CONNOR HAS BEEN TALKING WITH OFFICIALS GOP CONTROLLED PAKISTAN AUTOMOBILE CORP (PAC) HERE AND OTHERS CONCERNED WITH SECOND TIRE PRODUCTION SCHEME OF PAKISTAN TIRE CO., (FORMERLY AWAMI AUTO CO.), TO PUT UP LARGER PLANT WITH CAPACITY FOR 350,000 TRUCK TIRES (30 MILLION POUNDS OF TIRES) PER ANNUM. (ALTHOUGH PAK TIRE SCHEME HAS RECEIVED CIPCOC APPROVAL IN PRINCIPLE, IMPLEMENTATION HAS BEEN PREVENTED TILL NOW THROUGH FAILURE OF PAC FIND SUITABLE FOREIGN TIRE

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MANUFACTURING COLLABORATOR ON ACCEPTABLE TERMS). DURING

CONVERSATIONS HERE, O'CONNOR HAS BEEN EMPHASIZING HIS CONTENTION THAT GENERAL TYRE EXPANSION PLAN TO RAISE PRESENT PLANT CAPACITY BY 16 MILLION POUNDS, OR ABOUT 250,000 PASSENGER CAR TIRES PER YEAR, TO TOTAL PRODUCTION OF 500,000 TIRES PER YEAR, WILL NOT PREJUDICE CONSTRUCTION SECOND TIRE PLANT, WHICH WILL NO DOUBT COME IN MEDIUM TERM. HE HAS ALSO POINTED OUT AND WILL EMPHASIZE DURING VISIT TO ISLAMABAD NEXT WEEK, THAT EXPANSION GENERAL TYRE PLANT, FOR WHICH HE HAS BEEN ATTEMPTING OBTAIN GOP APPROVAL SINCE MAY 1973 (SEE REFTTEL), COULD BE COMPLETED IN 18 MONTHS AS OPPOSED TO THREE YEARS FOR ENTIRELY NEW PLANT. EXPANSION WOULD THEREBY SAVE PAKISTAN MINIMUM OF \$6 MILLION IN FOREIGN EXCHANGE FOR TIRES WHICH WOULD OTHERWISE HAVE TO BE IMPORTED UNTIL SECOND PLANT COULD GO INTO PRODUCTION. FX LOSSES WOULD BE GREATER IF SECOND PLANT FURTHER DELAYED WHICH SEEMS PROBABLE.

3. O'CONNOR PLANS CARRY HIS MESSAGE TO ALL POSSIBLE CIPCOC COMMITTEE MEMBERS IN ISLAMABAD BEFORE CIPCOC MEETING AND HOPES MEET WITH AMBASSADOR AND DCM FRIDAY MARCH 22 TO REPORT PROGRESS AND SEEK TACTICAL ADVICE. HE BELIEVES PRINCIPAL ROAD BLOCK IN PATH OF GENERAL TYRE EXPANSION IS MIN PRODUCTION J.R. RAHIM WHO WOULD LIKE TO HAVE NEW GOP-CONTROLLED TIRE PLANT AS PART OF HIS GROWING PUBLIC SECTOR EMPIRE.

4. COMMENT: GENERAL TYRE EXPANSION, IF APPROVED, WOULD BE MOST IMPORTANT ADDITIONAL US INVESTMENT IN PAKISTAN SINCE 1971 WAR. O'CONNOR HOPES THAT EVEN IF CIPCOC TURNS DOWN PROPOSAL, ECONOMIC COMMITTEE OF CABINET WOULD REVIEW AND APPROVE ON APPEAL, OWING THOROUGHLY SOUND ECONOMIC GROUNDS FOR EXPANSION AND PROFESSED INTEREST P.M. BHUTTO AND OTHERS AT TOP GOVERNMENT LEVEL IN MORE PRIVATE INVESTMENT. THUS, GENERAL TYRE EXPANSION CASE WOULD SEEM TO US TO BE A SORT OF PROOF OF PUDDING AS TO WHETHER GOP PROFESSION OF INTEREST IN FOREIGN INVESTMENT IS ACTUALLY INDICATIVE OF A REAL ELEMENT OF GOP POLICY. AS SUCH CIPCOC TREATMENT OF GENERAL TYRE APPLICATION COULD BE SIGNAL AS TO HOW GOP WILL TREAT PRIVATE INVESTMENT APPLICATIONS IN THE FUTURE.
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